

# BUDGET LETTER

<b>SUBJECT:</b> 2003-04 GENERAL ADMINISTRATIVE COSTS (PRO RATA) AND 2003-04 STATEWIDE COST ALLOCATION PLAN (SWCAP)	<b>NUMBER:</b> 02-36
	<b>DATE ISSUED:</b> October 16, 2002
	<b>SUPERSEDES:</b> BL 01-36
<b>REFERENCES:</b>	

TO: Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**Note: This Budget Letter provides new information in Section I "Change in Cost Recovery Methodology" and Section IV "Restricted Federal Grants".**

## I. Change in Cost Recovery Methodology

Government Code Section 11271 authorizes the Department of Finance to determine and redetermine, at any time, which special funds shall be charged a share of central service agencies administrative costs. Beginning 2002-03, the Pro Rata plan includes additional assessments to special funds that have not been assessed in the past, but should have appropriately been assessed. These special funds receive services from the central service agencies and should share in the cost of these services.

Prior to this methodology change, only special funds with appropriations for state operations were assessed a share of these administrative costs. Under the new methodology, special funds with appropriations classified as local assistance, capital outlay, and unclassified are now also assessed a share of these administrative costs.

In the website, noted below, are the budget year 2003-04 Pro Rata assessments using the new methodology. The 2003-04 General Administrative Cost Detail (Pro Rata) by function and fund reports are available at the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU), Pro Rata website: [http://www.dof.ca.gov/fisa/proswcap/prorata\\_detail\\_reports.htm](http://www.dof.ca.gov/fisa/proswcap/prorata_detail_reports.htm). The 2003-04 Statewide Cost Allocation Plan (SWCAP) reports are available at this website: [http://www.dof.ca.gov/fisa/proswcap/swcap\\_detail\\_reports.htm](http://www.dof.ca.gov/fisa/proswcap/swcap_detail_reports.htm).

## II. General Administrative Costs (Pro Rata)

Pro Rata is the apportionment of central service agencies administrative costs (e.g., Finance, Controller, Personnel Board, Legislature) incurred by the General Fund and billed to other funds.

Accurate budgeting of the Pro Rata assessment(s) is the responsibility of each State department. The State department's existing baseline budget for a specific fund(s) must reflect the Pro Rata assessments. The Supplementary Schedule of Operating Expenses and Equipment, (DF-300), must reflect the correct 2003-04 Pro Rata assessment. Finance budget analysts will work with State departments to ensure that appropriate funding adjustment(s) are made and verify that the DF-300 accurately reflects the Pro Rata assessment(s).

State departments are responsible for the State's full cost recovery policy. The total billable and non-billable allocation is used as the statewide indirect cost component of a State department's rate structure when billing clients that do not receive federal funds. See State Administrative Manual (SAM) Sections 8752-8758 for instructions on the billing process and cost components.

Quarterly, the State Controller's Office transfers from a State department's appropriation(s) the Pro Rata assessment for billable funds.

### **III. Statewide Cost Allocation Plan (SWCAP)**

State departments must ensure that SWCAP recoveries are included in their budgeted federal receipts. To the extent that federal fund receipts can be adjusted under applicable federal laws to reflect changes in SWCAP apportionments, planning estimates for federal funds need to be adjusted to reflect changes from prior levels. The DF-300 must reflect the correct 2003-04 SWCAP amount. Finance budget analysts will work with State departments to ensure that appropriate funding adjustment(s) are made and verify that the DF-300 accurately reflects the SWCAP amount(s). The SAM Sections 8755 et seq. explains the responsibility to recover and transfer SWCAP recoveries to the General Fund.

The SAM Sections 8756 et seq. require each State department that receives federal funds to prepare and submit an Indirect Cost Rate Proposal (ICRP) to Finance, FSCU for review and approval prior to sending the ICRP to the State department's cognizant federal agency. ICRPs are due to FSCU six months prior to the fiscal year that the rates apply. ICRPs must be consistent with the State's Full Cost Recovery policy, as defined in SAM Section 8752.

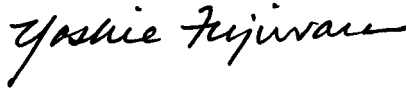
### **IV. Restricted Federal Grants**

State departments that receive federal funding will indicate which federal grants, if any, have restricted indirect cost rates. This will assist FSCU in the review and approval of ICRPs. A State department can determine which of its federal grants have restricted indirect cost rates by logging onto the Catalog of Federal Domestic Assistance website at <http://www.cfda.gov/>. The website provides information for all federal grants including restricted rate information organized by grant number. Attachment I is a sample that provides instructions on how to complete Attachment II. The appropriate departmental representative must complete and return Attachment II (via e-mail) to [fiprowp@dof.ca.gov](mailto:fiprowp@dof.ca.gov) by **November 15, 2002**. If a State department has no grants with restricted indirect cost rates, please indicate this information on Attachment II and return.

### **V. Training**

FSCU sponsors workshops on Pro Rata, SWCAP, and ICRPs, including information from federal Circular A-87. State department accounting and budgeting staffs are encouraged to attend. Please review the upcoming schedule of workshops on our website at <http://www.dof.ca.gov/fisa/proswcap/trainingstate/courselist.asp>. Please use the website for enrollment in any of the courses offered.

Additional information on Pro Rata, SWCAP, ICRPs, and many other items are available at the website: <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>. For Pro Rata assistance, contact Carlos Diaz at (916) 445-3434, extension 2144 or e-mail: [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov). For SWCAP and ICRP assistance, contact Nuno Da Luz at (916) 445-3434, extension 2139 or e-mail: [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov).



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Attachments

### Upcoming Budget Letters

- Control Sections 31.60 and 31.70
- Submission of Budget Materials to the Legislative and the Legislature Analyst's Office